



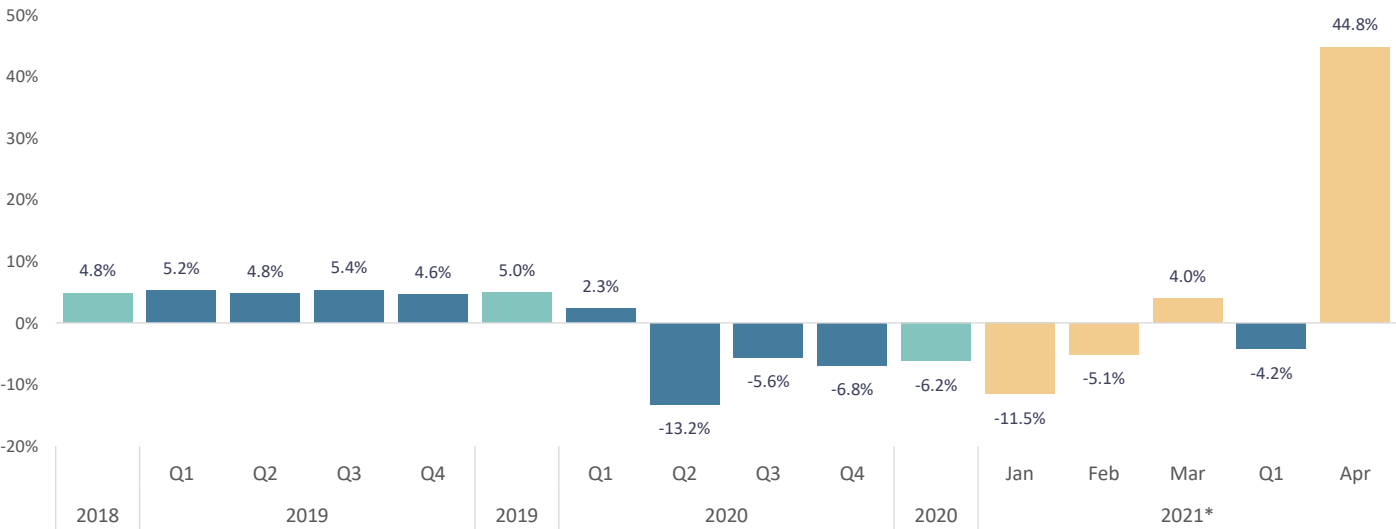
# Current Economic Outlook

May, 2021

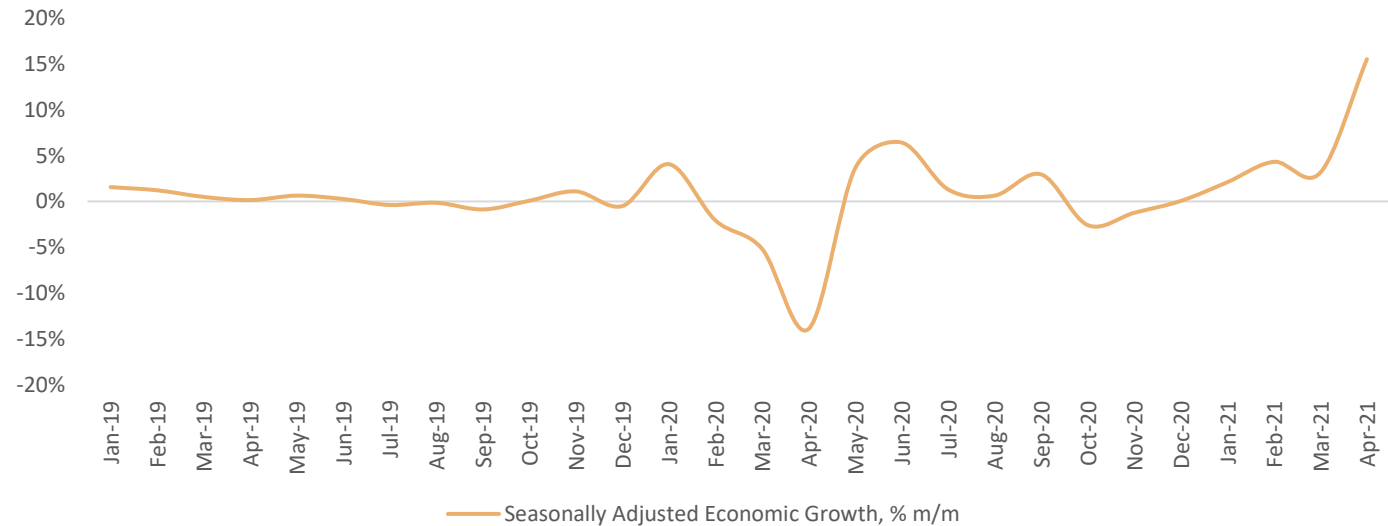
- According to the preliminary estimates of the National Statistics Office, in April 2021, the real GDP growth rate was 44.8 percent and average growth rate of first four months was 8.1 percent. At the same time, economic growth was 22.8 percent compared to the previous month, while seasonally adjusted monthly economic growth was 15.5 percent;
- Annual inflation stood at 7.7 percent in May, while seasonally adjusted annualized core inflation was 3.8 percent;
- In April, exports increased by 70 percent year-on-year and imports increased by 56.5 percent year-on-year, increasing the trade deficit by 44.8 percent year-on-year to \$ 371 million;
- The real effective exchange rate for April depreciated by 5.9 percent compared to the same period of the previous year and by 1.2 percent compared to the previous month;

# Economic Growth in April was equal to 44.8 percent

Economic Growth, % y/y



Economic Growth, % m/m

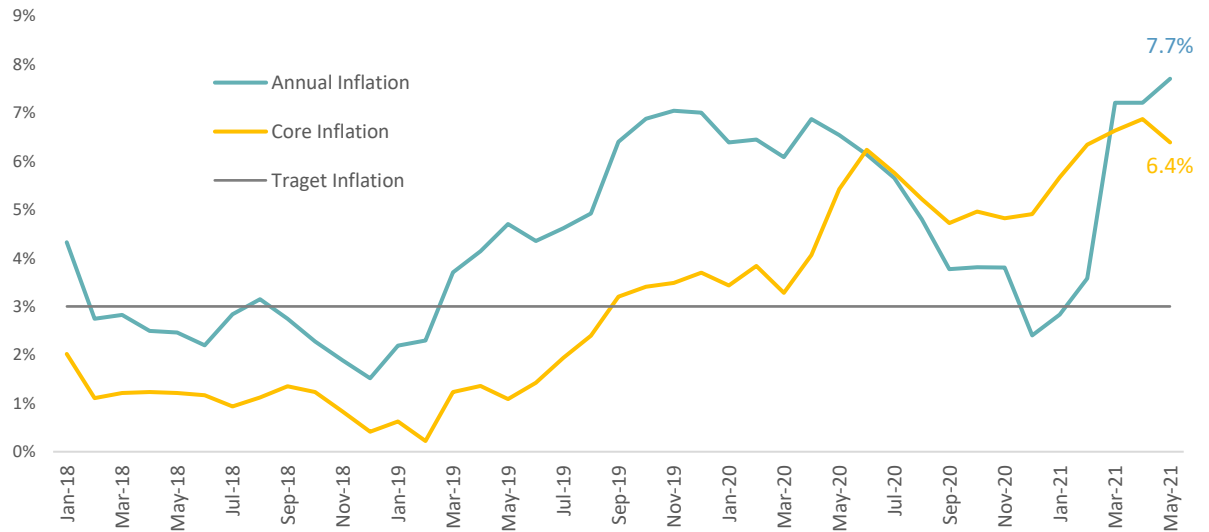


- Estimated real GDP growth rate in April 2021 equaled 44.8 percent YoY and average annual real GDP growth rate for the first 4 months equals to 8.1 percent.
- As of April, seasonally adjusted economic growth was 15.5 percent. Compared or April 2019, real GDP has increased by 20.7 percent in April of 2021.
- In April 2021 the estimated real growth compared to the same period of the previous year was observed in the following activities: Manufacturing, Construction, Trade, Transportation and storage, Hotels and restaurants, Financial and Insurance activities, Real estate activities, Professional, scientific and technical activities.
- A decline was registered in Mining and quarrying.

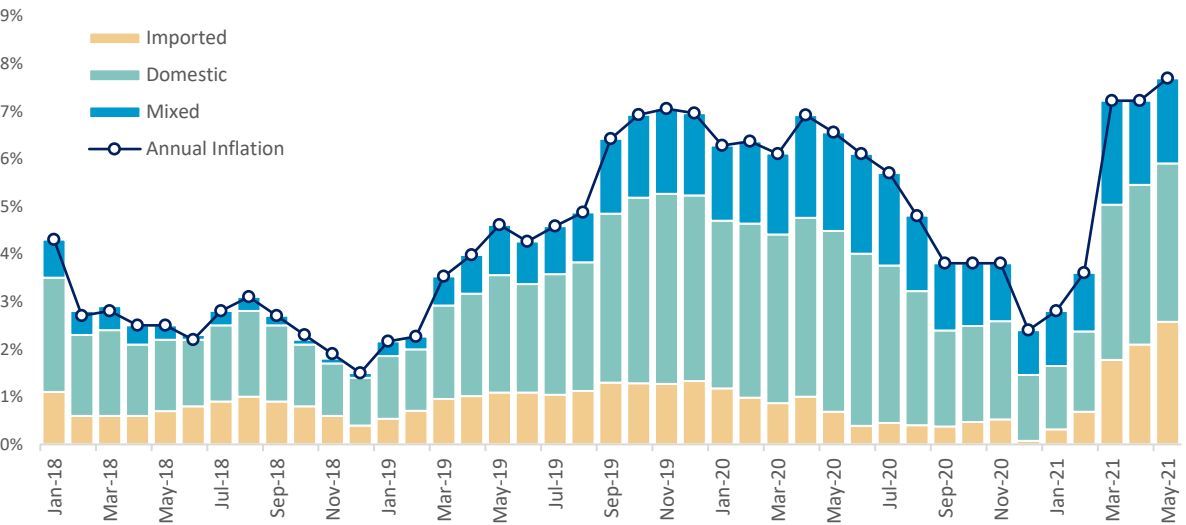
Source: Geostat, author's calculations

# Annual inflation has risen significantly since the cessation of subsidies on products

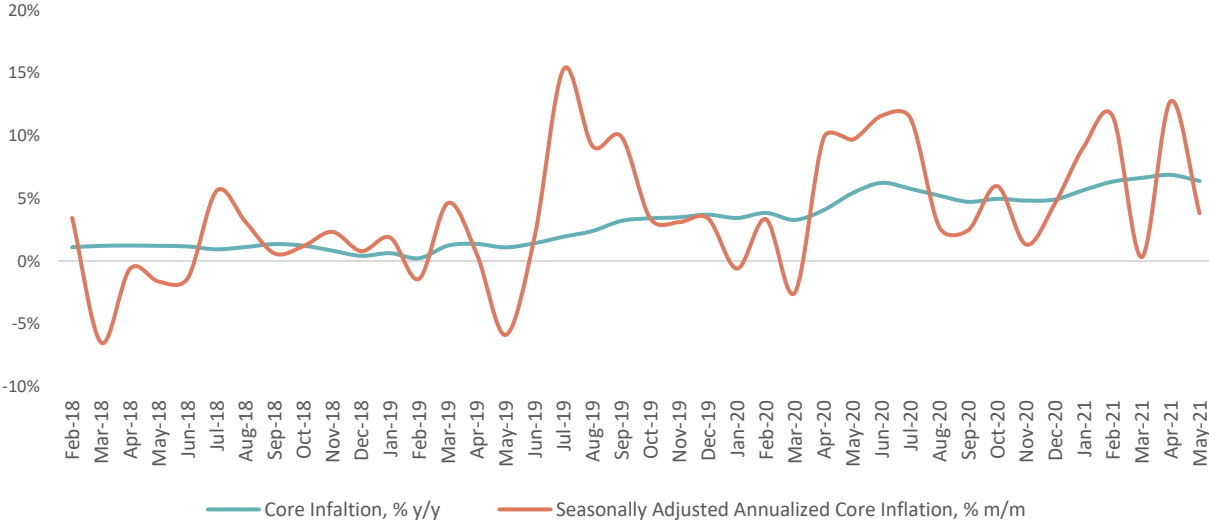
Total and Core Inflation, % y/y



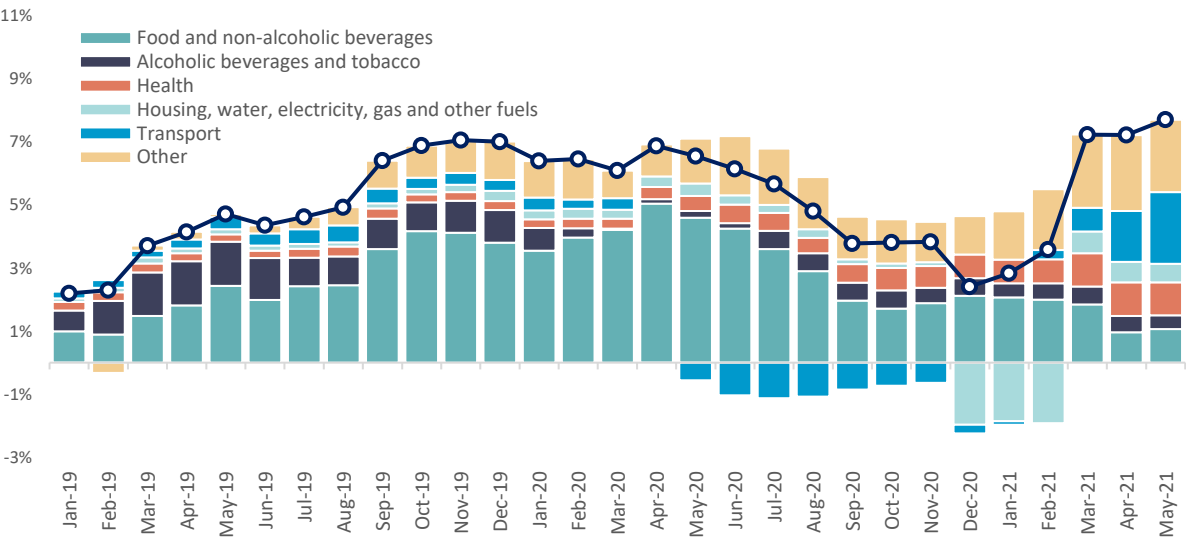
Inflation Decomposition



Core Inflation, % m/m



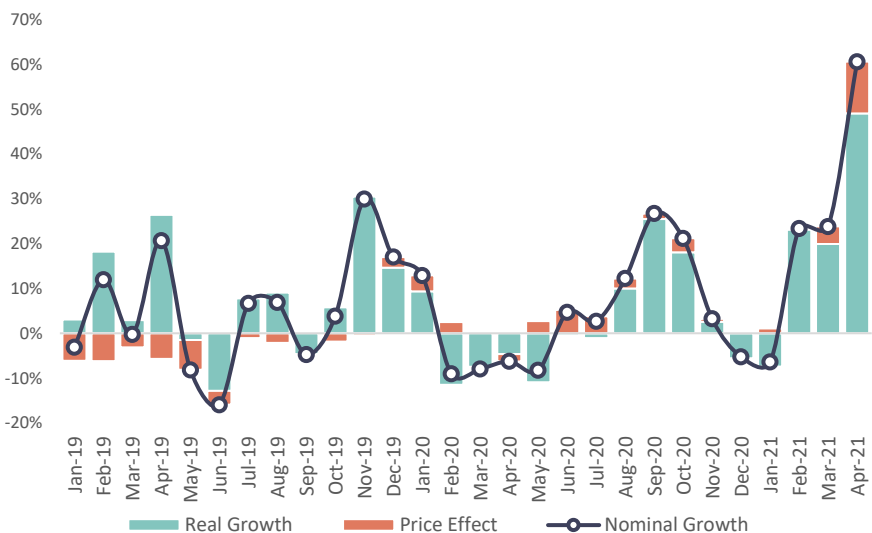
Inflation Decomposition by product group



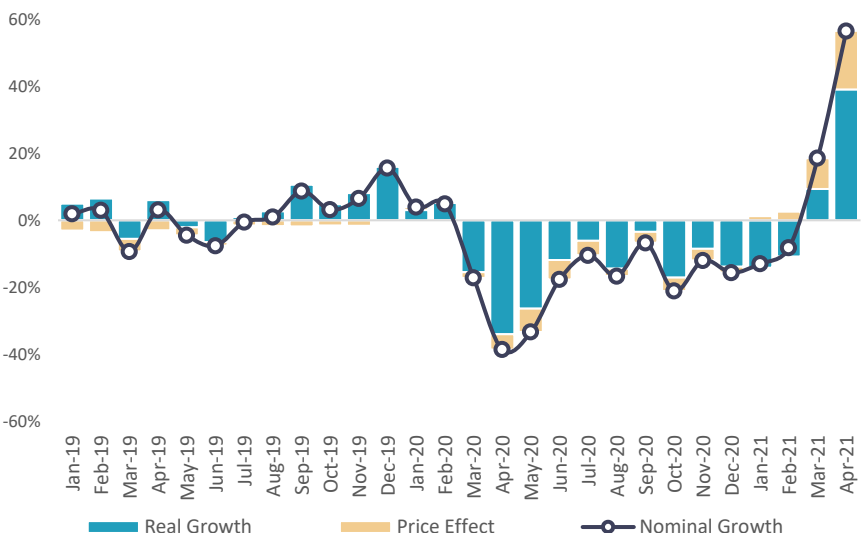
Source: Geostat, NBG, author's calculations

# Trade Deficit increased by 44.8 annually

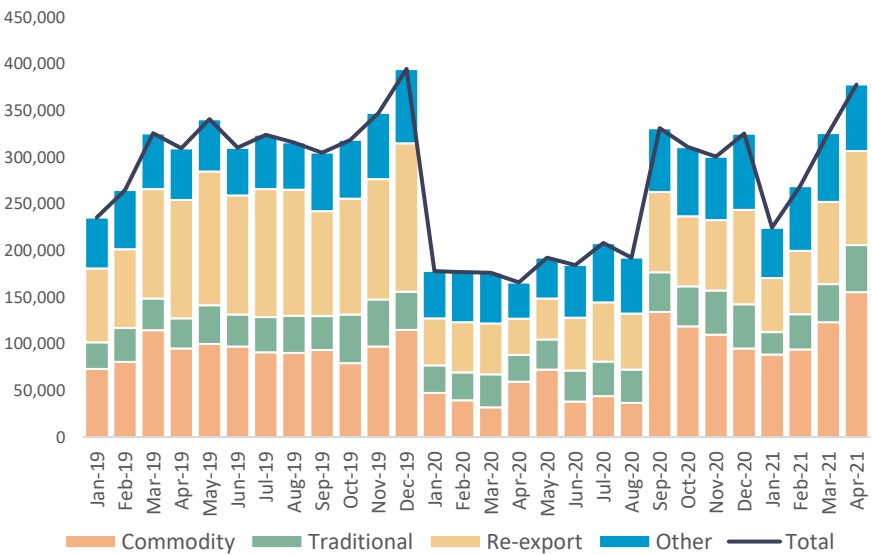
Change of Domestic Export, %/y



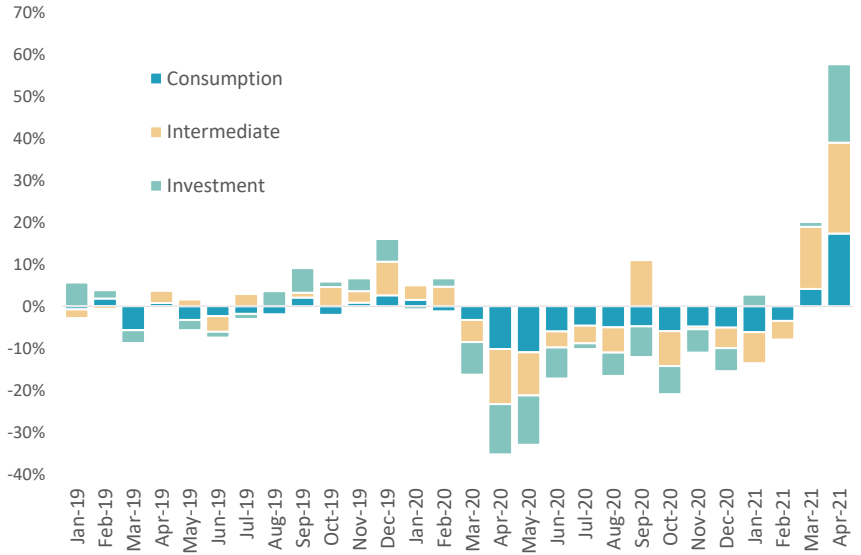
Change of Import, %/y



Decomposition of Export



Decomposition of Change of Import, %/y

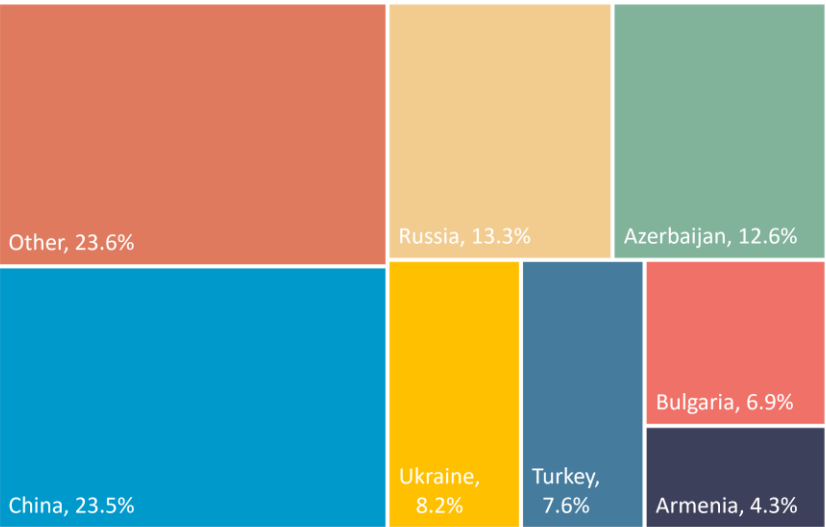


- Export increased annually by 70 percent to 378.1 million USD in April.
- Domestic export increased annually by 60.6 percent to 277.3 million USD.
- Import annually increased by 56.5 percent to 749.1 million USD in April.
- Trade deficit annually increased by 44.8 percent to 371 million USD in April.
- Share of re-export is equal to 26.7 percent, while share of commodity export equals to 41.1 percent.
- Contribution of import of Investment, Consumption and Intermediate goods to total import was equal to 18.7, 17.3 and 21.6 percent respectively.

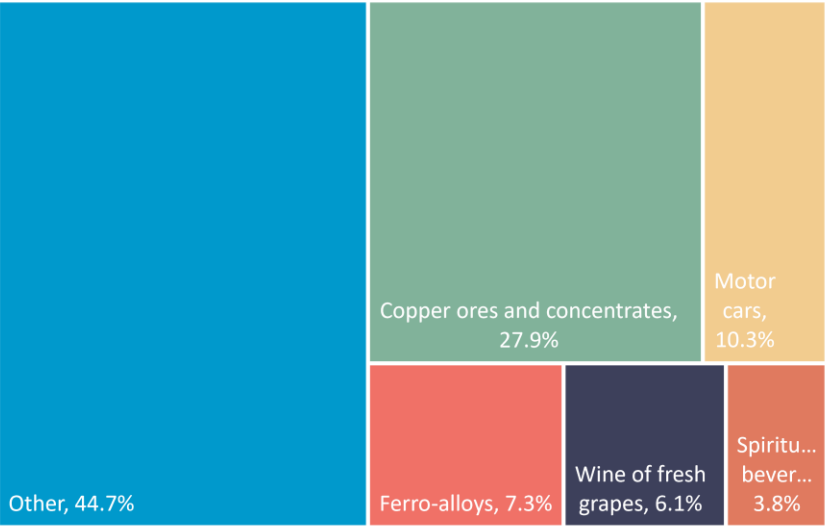
Source: Geostat, author's calculations

# International trade is characterized by stable diversification

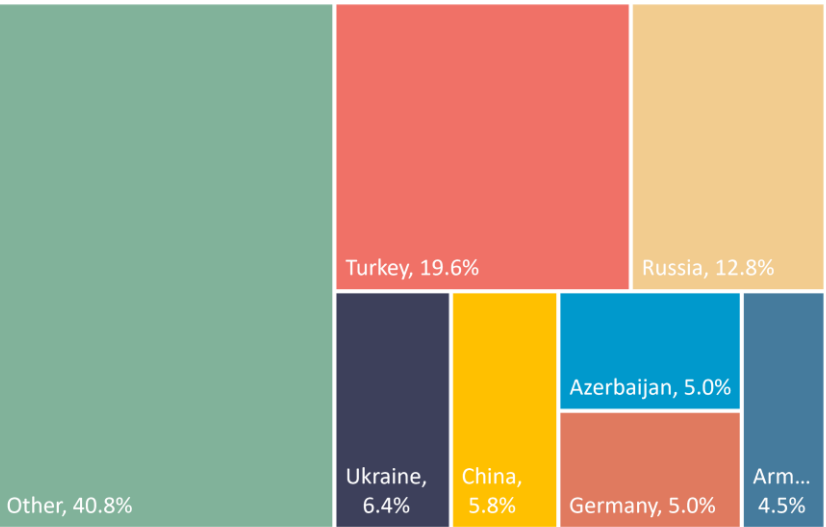
Export by country, April 2021



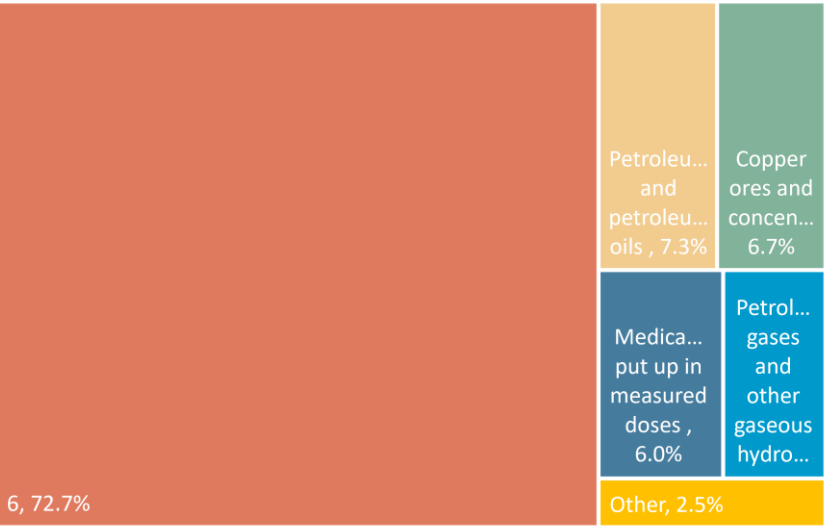
Export by product, April 2021



Import by country, April 2021



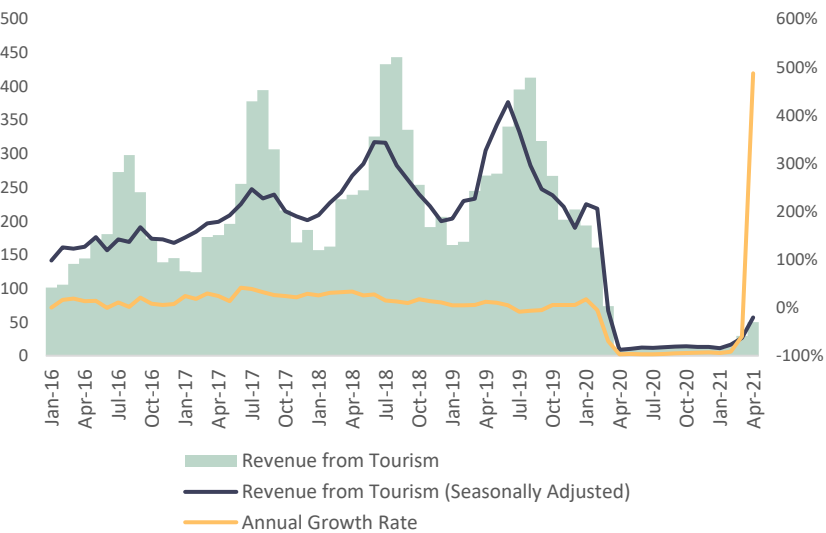
Import by product, April 2021



- Top Export Products:
  - Copper ores and concentrates: 105.3 mln. USD – 27.9 percent of total export.
  - Motor cars: 38.8 mln. USD – 10.3 percent.
  - Ferro-alloys: 27 mln. USD – 7.3 percent.
- Top Import Products :
  - Petroleum and petroleum oils: 54.8 mln. USD - 7.3 percent of total import.
  - Motor cars: 49.9 mln. USD - 6.7 percent.
  - Copper ores and concentrates: 44.6 mln. USD - 6 percent.
- Top Export Country:
  - China: 88.9 mln. USD - 23.5 percent.
  - Russia: 50.1 mln. USD - 13.3 percent.
  - Azerbaijan: 47.6 mln. USD - 12.6 percent.
- Top Import Country :
  - Turkey: 146.8 mln. USD - 19.6 percent.
  - Russia: 98.1 mln. USD - 12.8 percent.
  - Ukraine: 47.6 mln. USD - 6.4 percent.

# Revenue from Tourism is still decreasing annually due to pandemic related restrictions

Revenue from Tourism

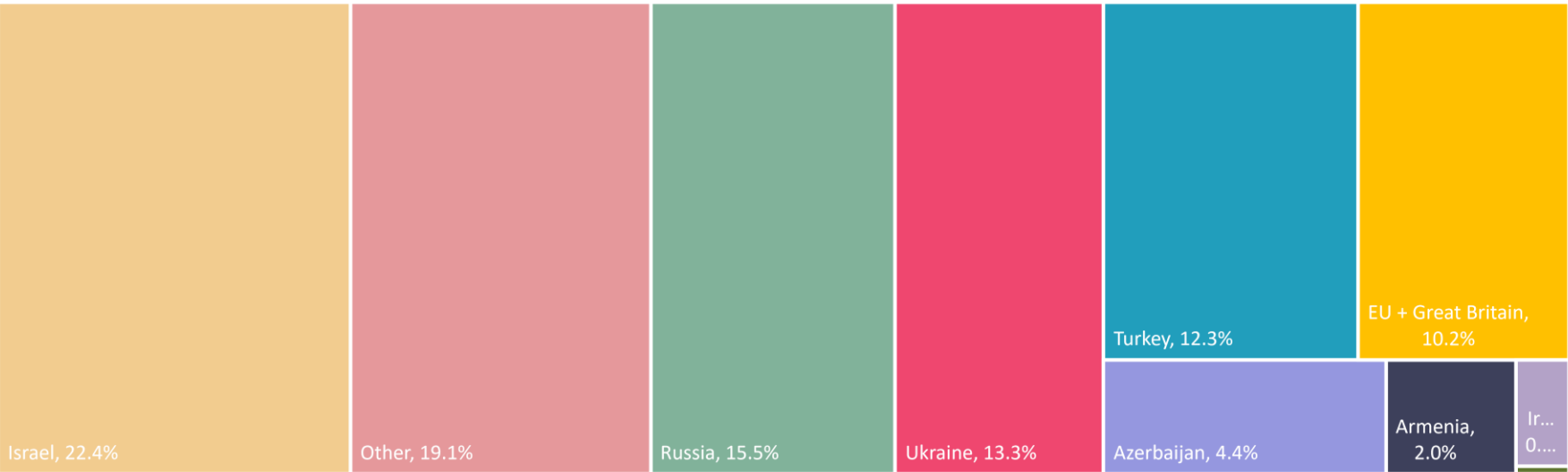


Revenue from Tourism, April 2021

Country	Tourism Revenue	Change, % y/y
Israel	11193.3	11832.1%
Russia	7747.8	334.7%
Ukraine	6616.8	1155.7%
Turkey	6121.2	108.7%
EU + UK	5078.6	1549.9%
Azerbaijan	2170.3	270.6%
Other	10931.7	383.2%

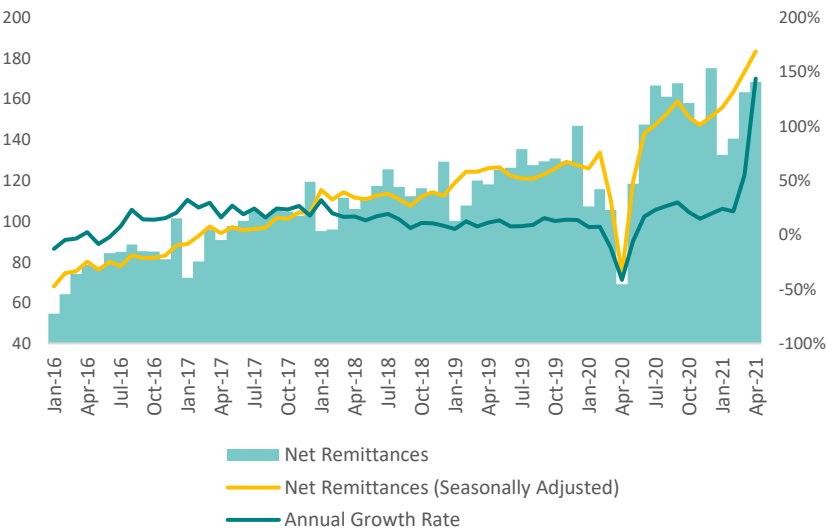
- In April 2021, tourism revenues increased by 487.1 percent to 49.9 million USD. Such high increase is mainly due to low level of tourism revenue inflow in April 2020 (8.5 million USD).
- At the same time, tourism revenues increased by 381.3 percent compared to January, while in the case of seasonal adjustments, the monthly increase was equal to 114.8 percent.

Revenue from Tourism by country



# Remittances are increasing as a result of economic activity in the region

Net Remittances

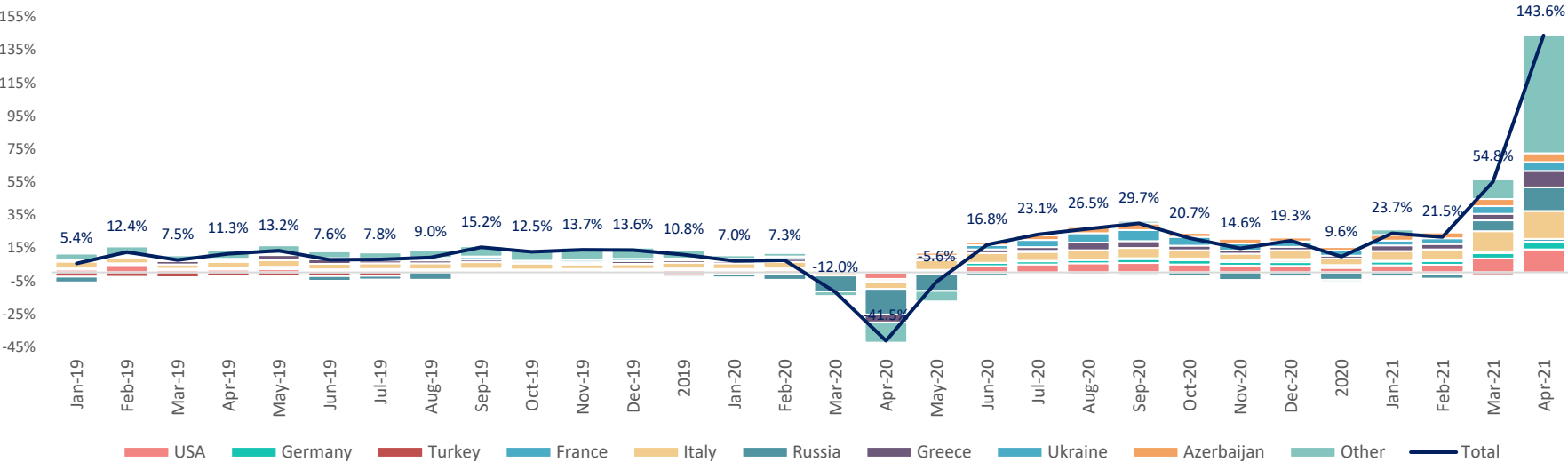


Net Remittances, April 2021

Country	Net Remittances	Change, %y/y	Share, %
Italy	30,088.6	76.6%	18.4%
USA	23,824.4	61.9%	14.6%
Greece	19,713.2	27.6%	12.1%
Russia	24,694.4	39.6%	15.1%
Israel	15,318.9	33.8%	9.4%
Other	49,650.5	70.4%	30.4%

- In April 2021, net remittances were estimated at 168.3 million USD, representing a 144 percent annual increase.
- Net Remittances increased from:
  - Russia: 159.5 percent (22.2 p.p. contribution to overall growth).
  - Italy: 136.8 percent (26.2 p.p. contribution to overall growth).
  - USA: 156.3 percent (21.7 p.p. contribution to overall growth).
  - Greece: 109.9 percent (15.7 p.p. contribution to overall growth).
  - Israel: 124.1 percent (12.2 p.p. contribution to overall growth).
  - Remittances from Ukraine and Azerbaijan also increased significantly.

Net Remittances by country, %y/y



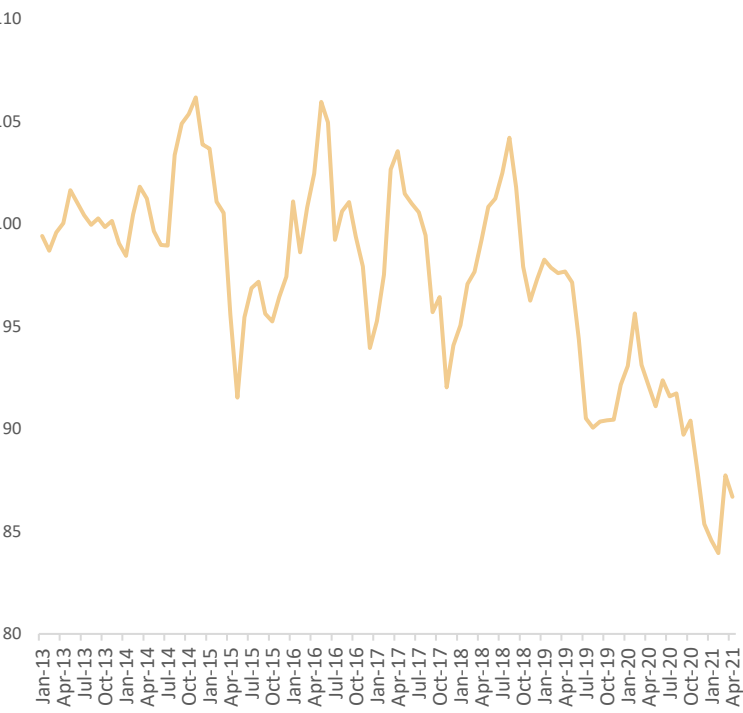


The real effective exchange rate in April depreciated by 1.2 percent compared to the previous month

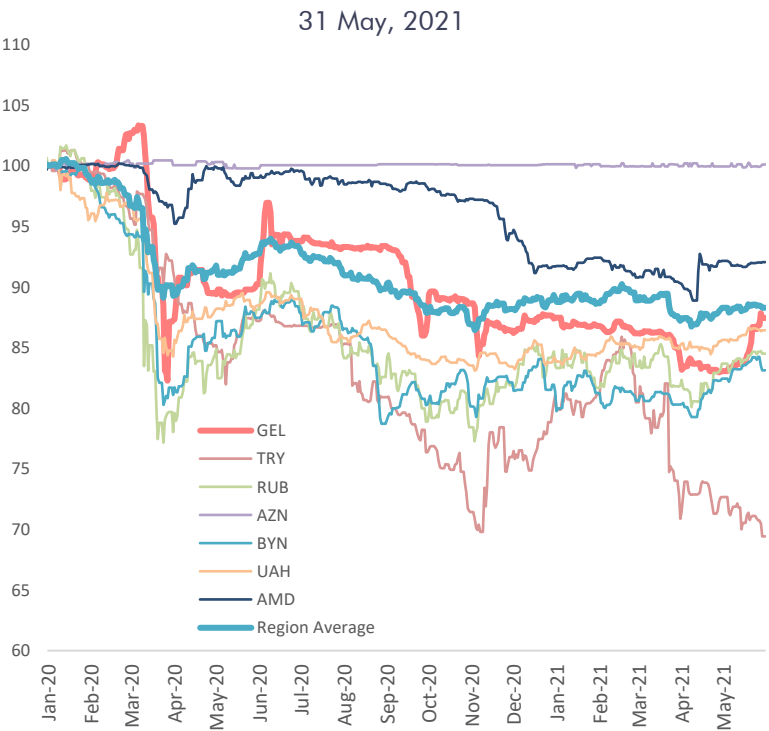
NEER: 2013 = 100



REER: 2013 = 100



USD Exchange Rates

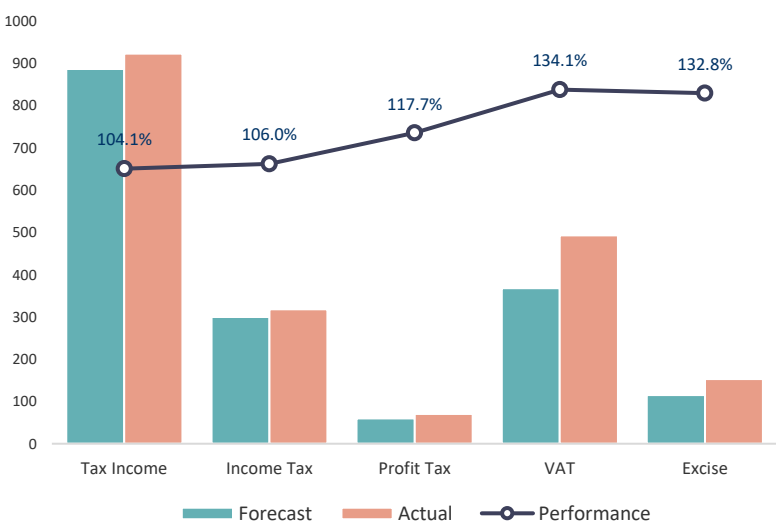


Note: Increase means appreciation

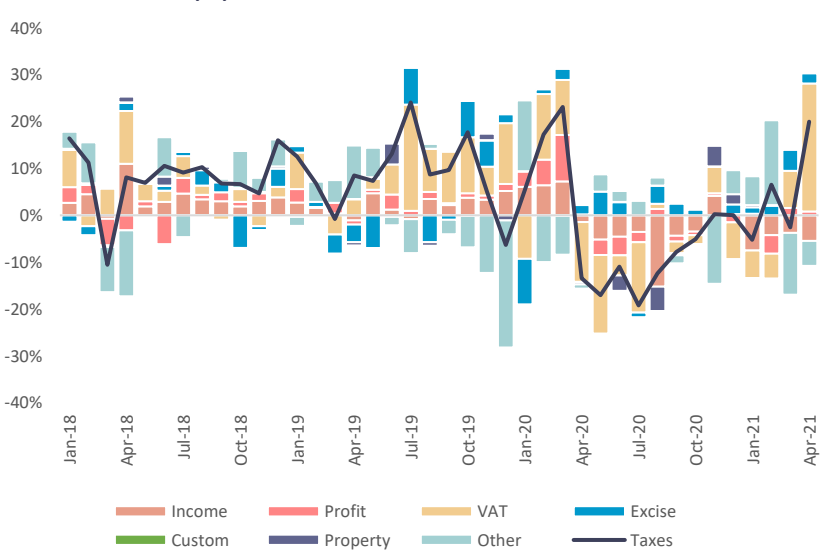
	31 May, 2021	31 May 2021 - 1 January 2021	31 May 2021 - 1 January 2020
Euro	3.9922	-19.5%	-23.4%
US Dollar	3.2779	-12.6%	-18.5%
Turkish Lira	0.3824	26.0%	32.2%
Russian Ruble	0.0446	3.5%	-13.8%
NEER	109.82	-0.7%	-7.9%
REER (April 2021)	106.55	1.5%	-5.9%

# Tax revenues in the first five months exceeded the forecast value by 3.4 percent

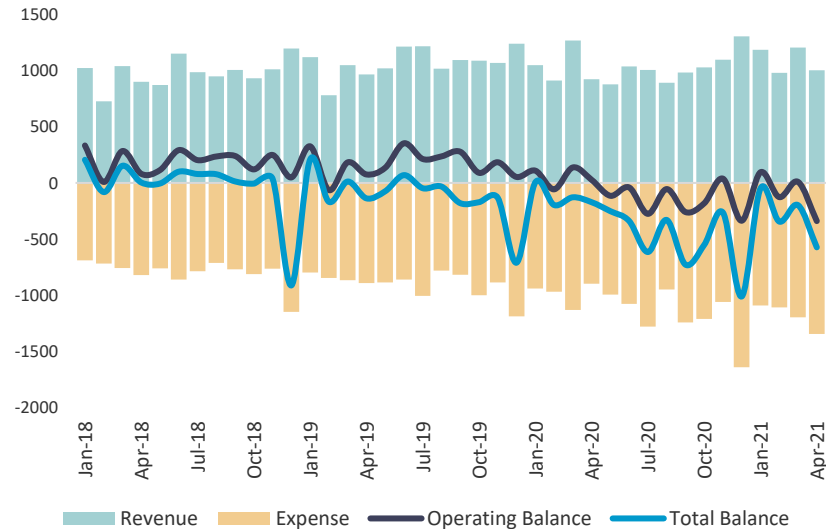
Budget Revenue Performance, May 2021



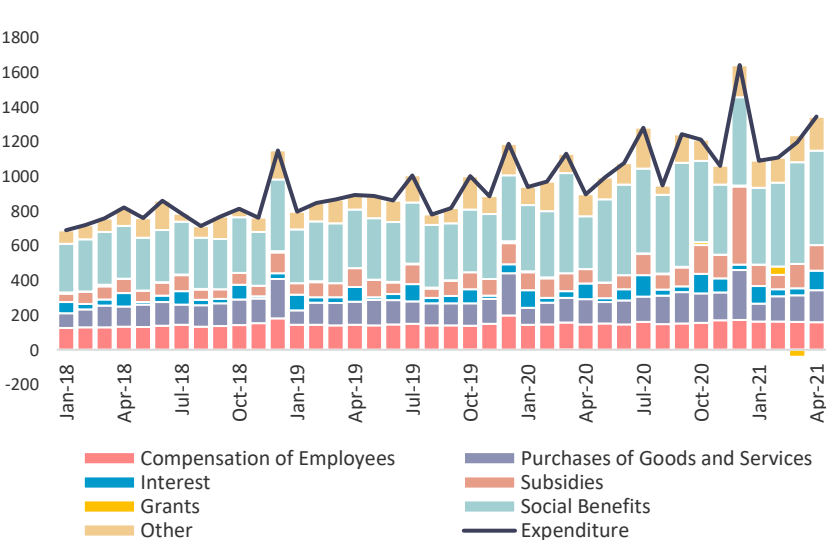
Tax Income, % y/y



Consolidated Budget, mln GEL



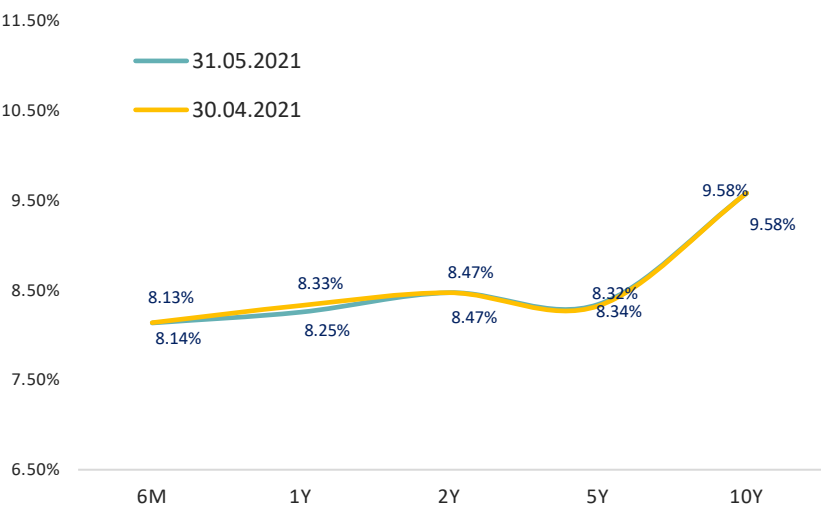
Consolidated Budget Expenditure, mln GEL



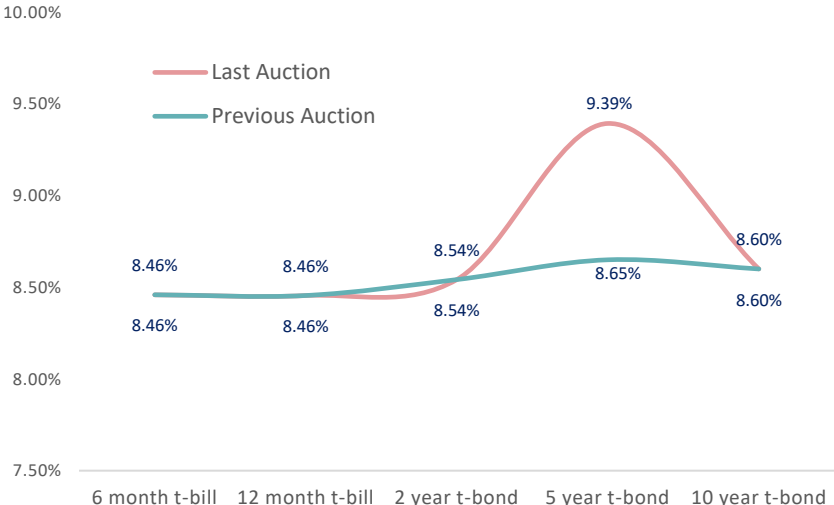
- The forecast of tax income for January-May 2021 is 4,644.4 million GEL, while the actual figure for January-May 2021 is 3.4 percent higher than planned and equals to 4,800.8 mln GEL.
- The actual level of tax income in May was 923 mln GEL, which is 4.1 percent higher compared to the forecasted value of tax income of 886.5 mln GEL.
- Consolidated budget revenues increased by 8.8 percent and expenditures increased by 49.9 percent.
- The operating budget of the consolidated budget, which represents the savings of the government, amounted to -338.1 million GEL, while the total balance was set at -573.2 million GEL.
- Revenue from taxes had a significant impact on revenue from VAT, accounting for 27.4 percent of total growth.

# The structure of the securities portfolio has undergone minor changes

Portfolio Yield Curve

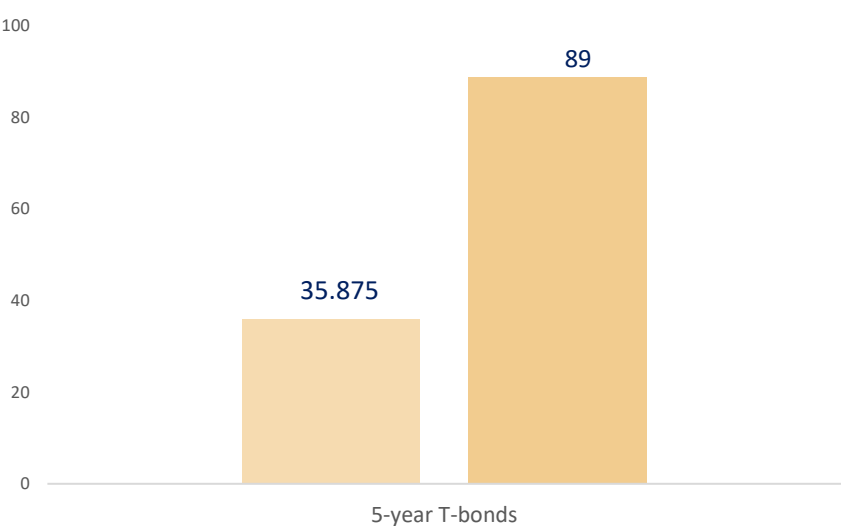


Weighted average interest rates

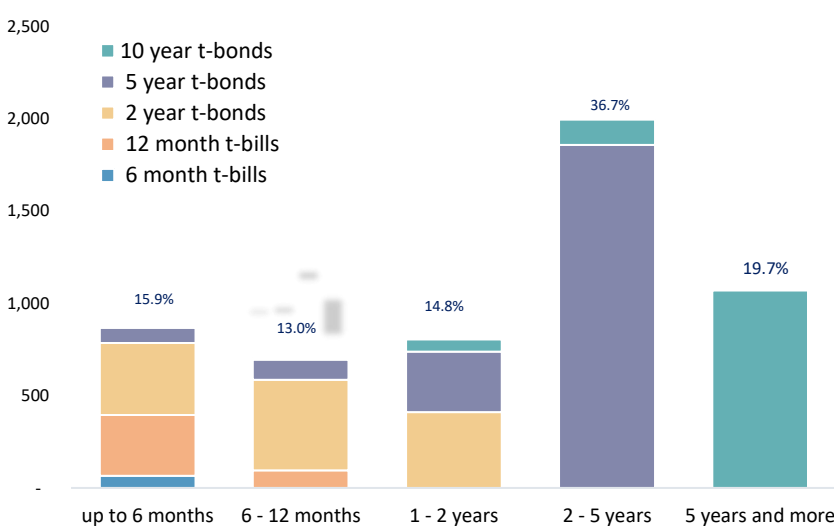


- In May 2021, only 5-year maturity treasury bonds auction was held with issuance volume of 35.875 million GEL.
- The weighted average interest rate amounted to 9.393 percent.
- Treasury securities with total amount of 100 million GEL were redeemed.
- As of May 31, 2021 28.89 percent of treasury securities portfolio is composed of securities whose maturity date is due for the next 1 year.
- On 5-year treasury securities bid-to-cover ratio increased compared to the previous month's value (April 2.10) and is 2.51.

Issuance and Demand, mln GEL



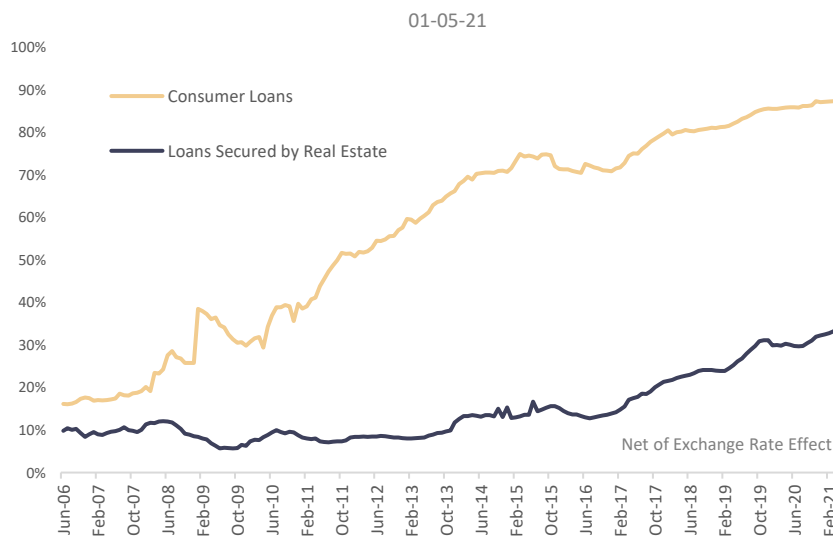
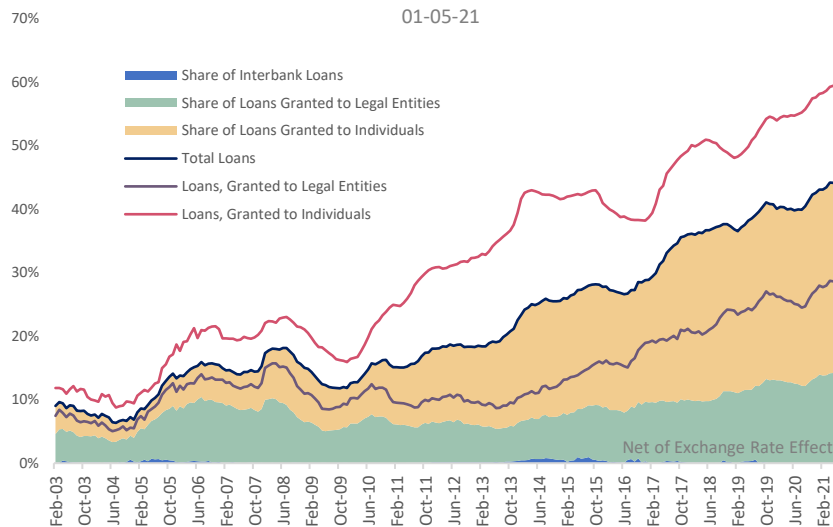
Portfolio Forming Securities Composed by Time to Maturity



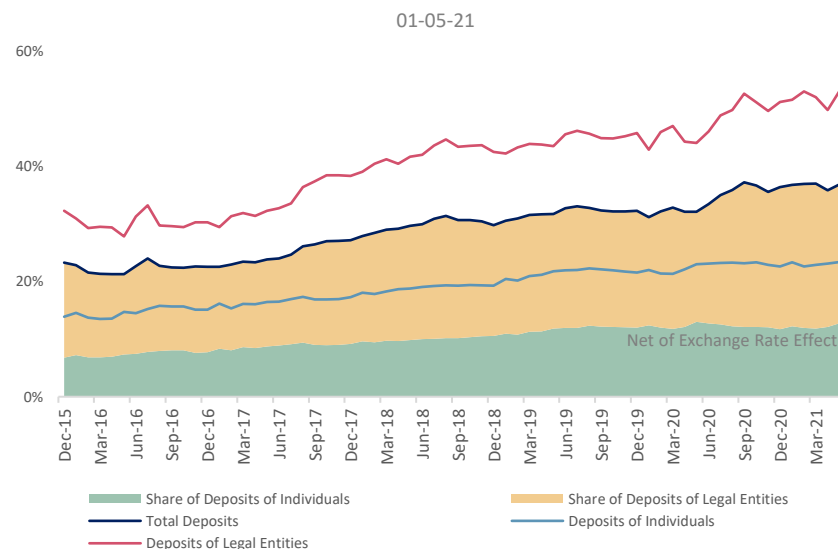
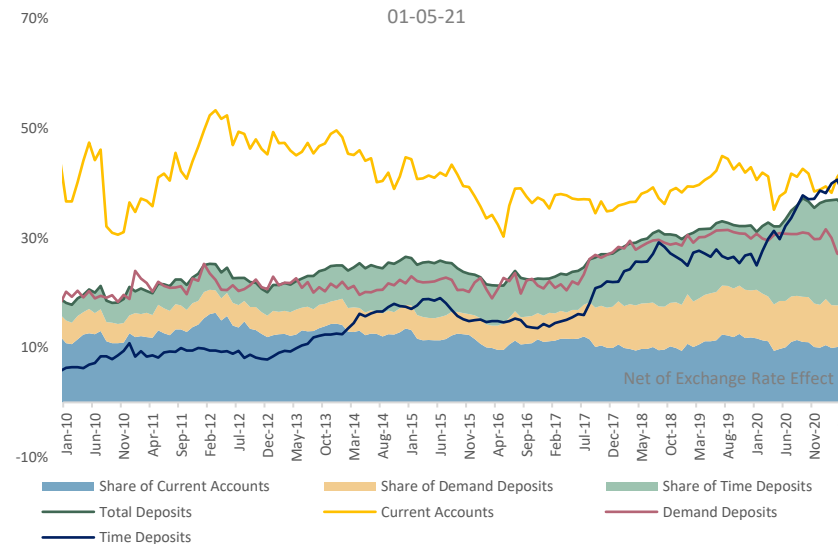
Source: Ministry of Finance of Georgia

# The larization rates continue to rise

## Loan Larization



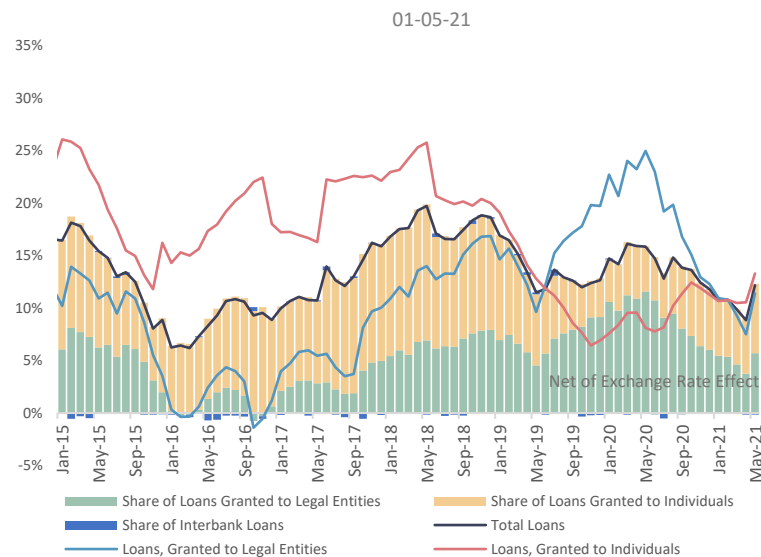
## Deposit Larization



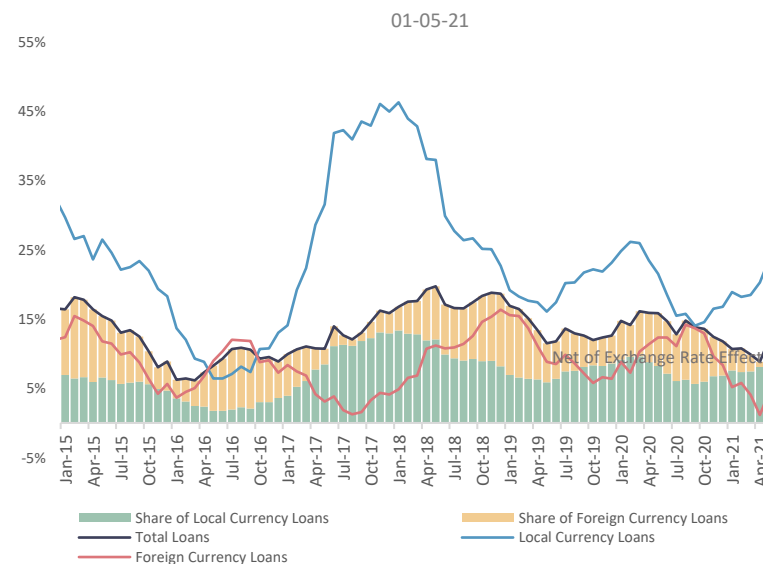
- As of May 1, 2021, the larization of total loans is 44.1 percent.
- The larization of loans to individuals is 59.4 percent.
- The larization of loans to legal entities amounted to 28.6 percent.
- The larization of total deposits equals to 36.9 percent.
- The larization on deposits of legal entities amounted to 53.1 percent.
- The larization of deposits of individuals is 23.4 percent.
- The larization of time deposits is 37.6 percent.
- The larization of current accounts equals to 44.2 percent.
- The larization of demand deposits is 29 percent.

# The annual growth trend of loans is revealed

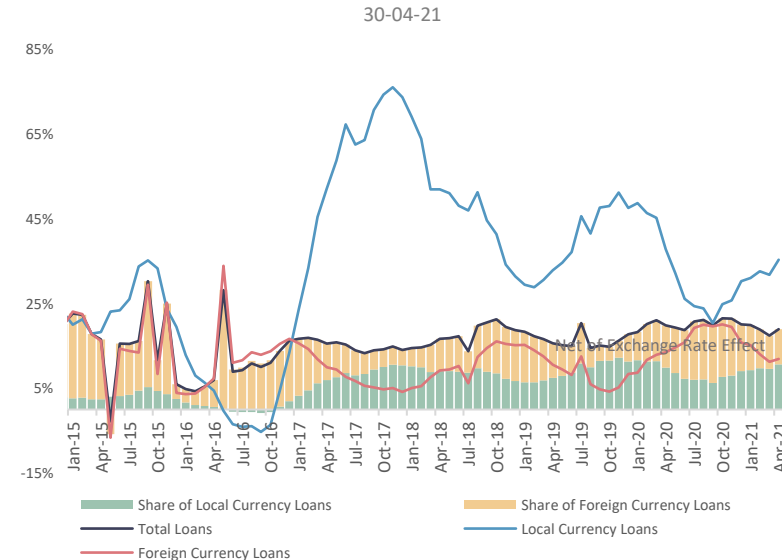
Loans, % y/y



Loans by Currency, % y/y



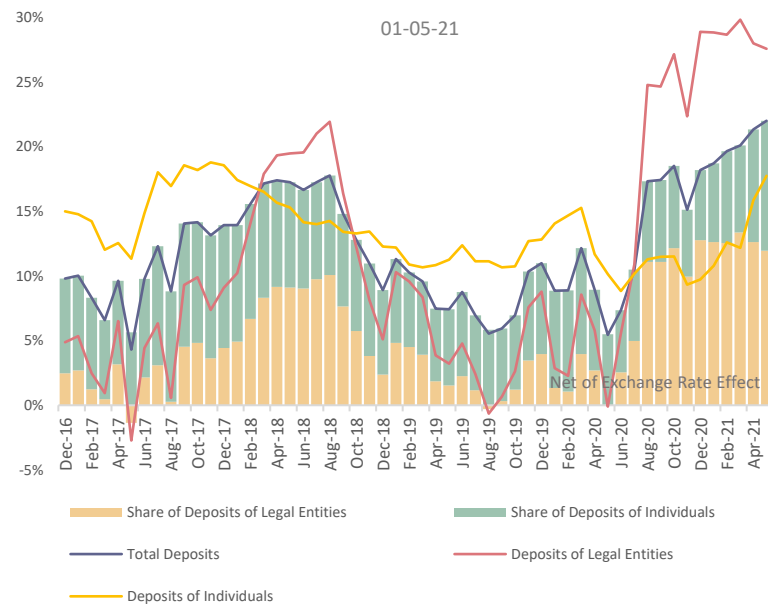
Mortgage Loans, % y/y



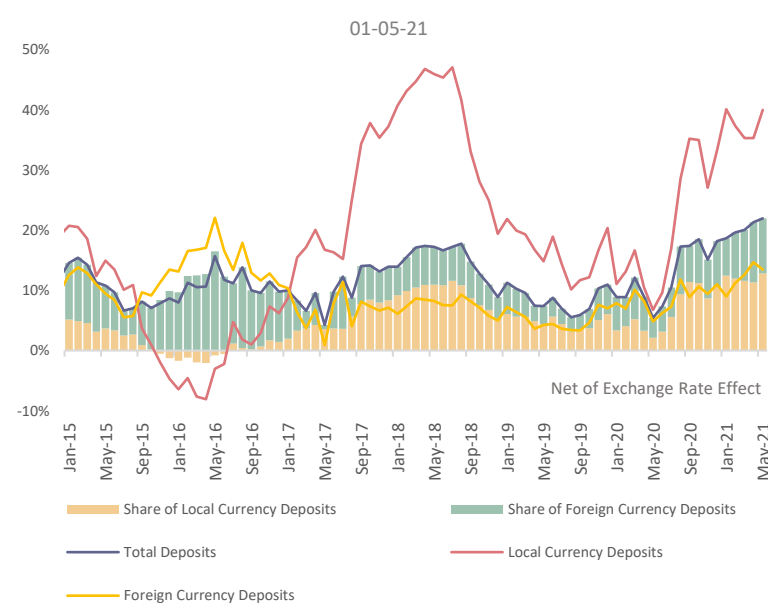
- As of May 1, 2021, total loans increased by 12.2 percent compared to the corresponding period of 2020 (excluding exchange rate effects).
- Following the downward trend, the annual growth of loans to legal entities increased to 11.4 percent.
- The annual growth of loans to individuals is 13.3 percent.
- As of May 1, 2021, the growth rate of loans denominated in the national currency amounted to 23.6 percent.
- The annual growth of loans denominated in foreign currency amounted to 1.2 percent.
- As of April 30, 2021, the annual growth of loans secured by real estate amounted to 19 percent. At the same time, mortgage loans denominated in national currency increased by 35.4 percent, while mortgage loans denominated in foreign currency increased by 11.9 percent.

# The growth of deposits denominated in national currency exceeds that of foreign currency

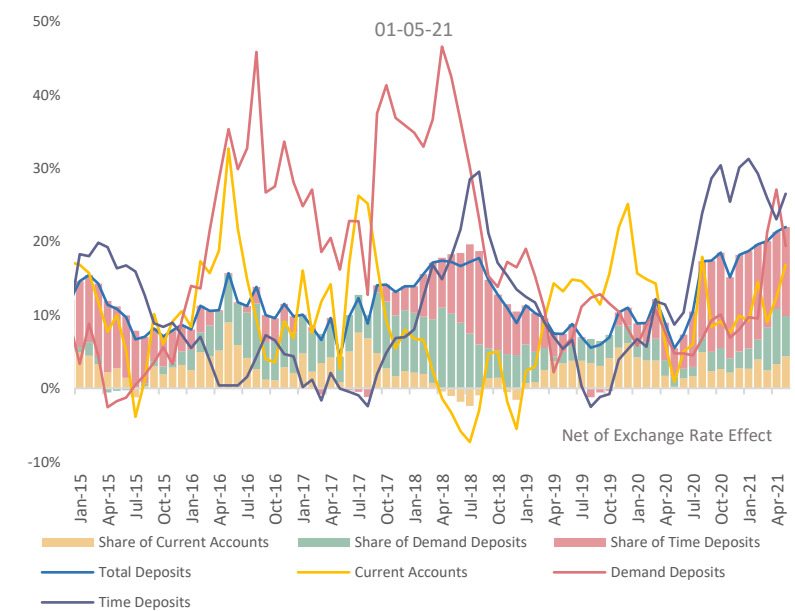
Deposits, % y/y



Deposits by Currency, % y/y



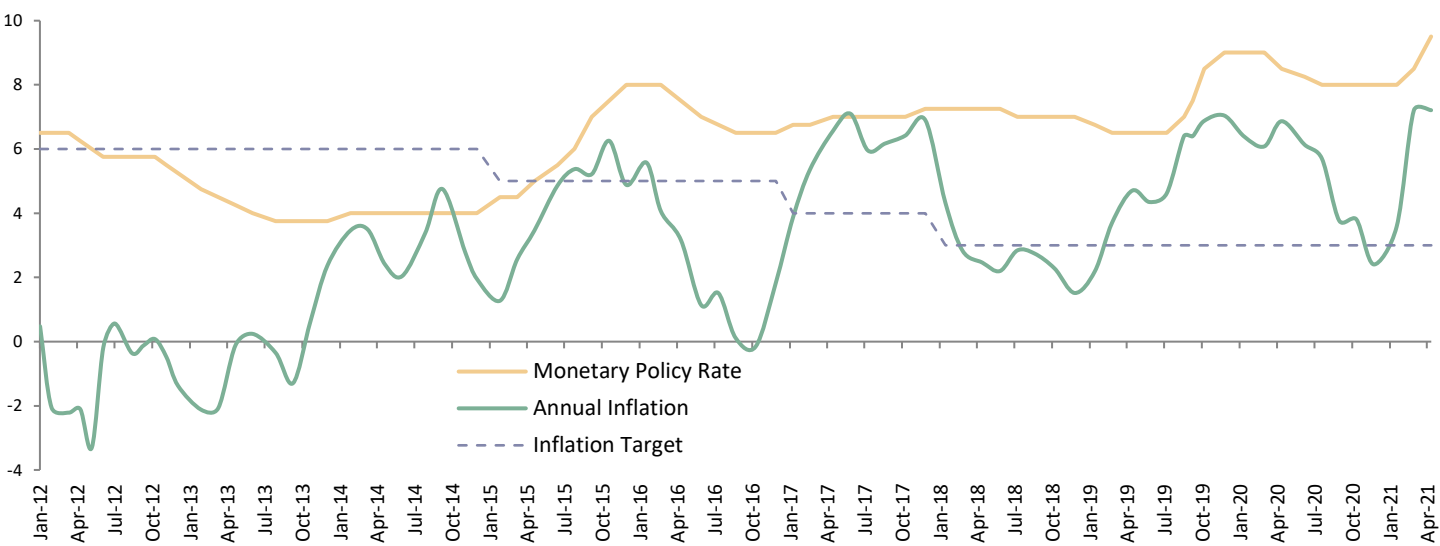
Deposits by type, % y/y



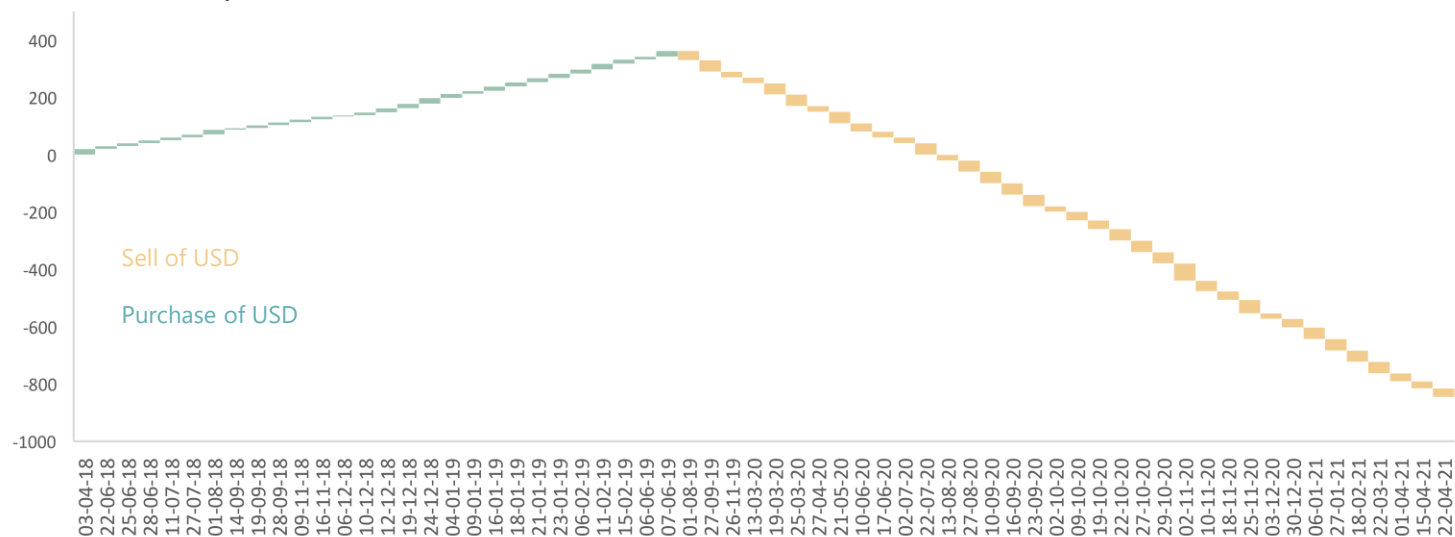
- As of May 1, 2021, the growth of total deposits compared to the corresponding period of the previous year is 22 percent.
- The annual growth of deposits denominated in the national currency amounted to 40 percent. The annual growth of deposits denominated of foreign currency is relatively stable at 13 percent over the same period.
- The growth of deposits of individuals amounted to 18 percent, while the annual growth of deposits of legal entities showed a significant increase and its value in the same period amounted to 28 percent.
- The annual growth of current accounts increased by 4.4 percentage points compared to April. At the beginning of May 2021, the growth rate was equal to 16.8 percent.
- The annual growth of time deposits was 26.5 percent and significantly contributed to the growth of total deposits.
- The growth of demand deposits lags behind the annual growth of April by 7.7 pp and amounted to 19.4 percent.

# The refinancing rate increased by 1.0 percentage points to 9.5 percent

Inflation and Monetary Policy Rate



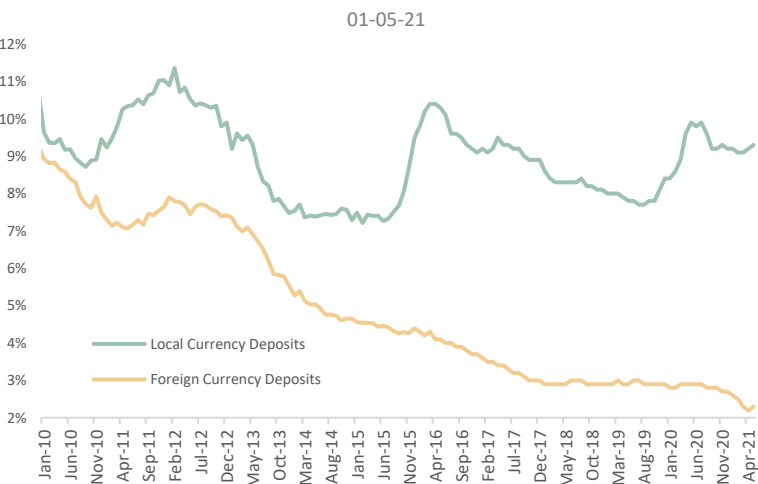
Trade of USD by NBG, mln USD



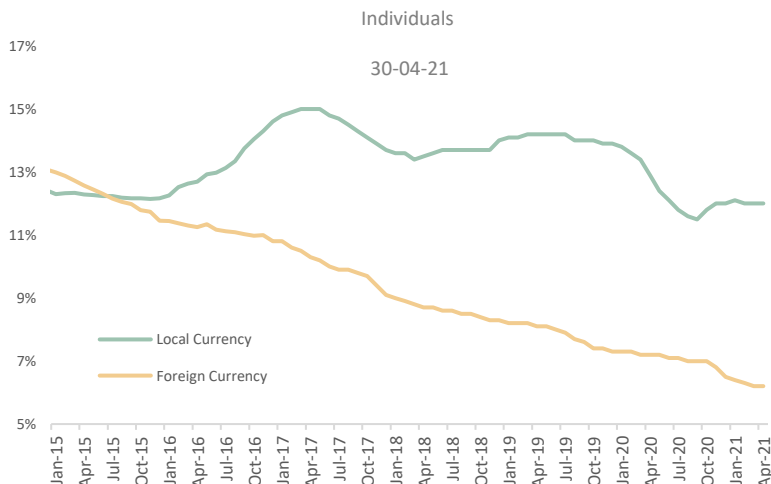
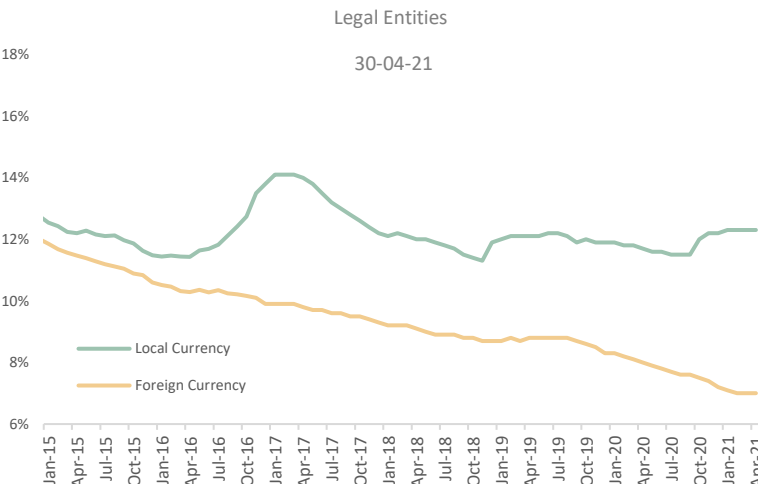
- On April 28, 2020, the Monetary Policy Committee of the National Bank of Georgia decided to increase the refinancing rate by 1 percentage points.
- The monetary policy rate was set at 9.50 percent.
- According to the National Bank, all other things equal, , inflation will average around 6.5 percent in 2021 and then gradually approach the target.
- According to the NBG, the upward pressure on inflation depends on the upward trend in prices in international commodity markets, the increase in average product costs due to the reduction of output caused by the pandemic, and at the same time the long-term maintenance of the depreciated GEL exchange rate puts additional pressure on price growth.
- The next meeting of the Monetary Policy Committee will be held on June 23, 2021.
- In April 2021, the National Bank sold \$ 82.9 million.

# Market interest rates increased in national currency and decreased in foreign currency

## Interest Rates on Deposits



## Interest rates on Loans secured by Real Estate



- As of May 1, 2021, the interest rate on foreign currency deposits was 2.3 percent, and in national currency - 9.3 percent.
- The weighted average interest rate on deposits in the national currency by legal entities was 9.5 percent, and in foreign currency - 2 percent.
- The average annual interest rate on deposits by individuals is 2.3 percent for foreign currency deposits and 8.8 percent for national currency deposits.
- The weighted average annual interest rate on short-term consumption loans was 18.4 percent (23.1 percent in national currency and 6.4 percent in foreign currency).
- The weighted average annual interest rate on long-term consumption loans was 17.3 percent (18.6 percent in national currency and 7.7 percent in foreign currency).
- At the end of April 2021, the interest rate on mortgage loans denominated in local currency issued to legal entities was 13 percent, and in foreign currency - 7 percent. The interest rate on loans to individuals in the national currency was 12.1 percent, and in foreign currency - 6.3 percent.



## Disclaimer

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